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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2016

Thursday, February 11, 2016
5:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 1705 – RELATING TO MOTOR VEHICLE
INSURANCE.**

TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department supports the intent of allowing the use of motor vehicle insurance identification (“MVI”) cards in electronic formats and submits the following comments.

In 1998, the Legislature amended § 431:10C-107, Hawaii Revised Statutes, to require that MVI cards that are issued in Hawai‘i be forgery resistant. This was done to combat the growing cottage industry of homemade MVI cards and reduce the number of uninsured motorists on the road. In implementing this statute’s requirements, insurers and producer agencies submit proposed card stocks to the Insurance Commissioner for approval. Once approved, samples of the respective card stocks are sent to county enforcement and motor vehicle registration agencies so that they may be used as reference points. While we have no figures of the effectiveness of the use of these forgery resistant cards, a check with the Insurance Division investigators shows that no complaints regarding fake cards have been

received by the Division for many years. This is a far cry from the period before the passage of this requirement where complaints were received weekly about fake MVI insurance cards being used at safety check stations, motor vehicle registration counters, and at traffic accidents.

Some of the benefits of the use of electronic MVI cards are their ease of use, immediate issuance, and portability. That being said, a problem that currently exists with MVI cards will exist with electronic MVI cards. Electronic MVI cards may not reflect cancellations during the middle of policies' periods. Once issued, in either case, the driver may cancel the policy and keep the card to produce when required.

Also, with electronic MVI cards, there is no reference check available for government agencies to determine whether the proffered electronic cards are legitimate.

A possible solution in resolving these issues would be the establishment of an MVI electronic database which would show updated information of existing MVI coverages.

We thank this Committee for the opportunity to present testimony on this matter.

Hawaii State Legislature
House Committee on Consumer Protection and Commerce
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

February 10, 2016

Filed via electronic testimony submission system

RE: HB 1705, Electronic Proof of Insurance - NAMIC's Written Testimony in Support

Dear Representative Angus L.K. McKelvey, Chair; Representative Justin H. Woodson, Vice Chair; and honorable members of the House Committee on Consumer Protection and Commerce:

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the February 11, 2016, public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation.

NAMIC is the largest property/casualty insurance trade association in the country, serving regional and local mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

The 1,300 NAMIC member companies serve more than 135 million auto, home and business policyholders and write more than \$208 billion in annual premiums, accounting for 48 percent of the automobile/homeowners market and 33 percent of the business insurance market. NAMIC has 69 members who write property/casualty and workers' compensation insurance in the State of Hawaii, which represents 30% of the insurance marketplace.

Through our advocacy programs we promote public policy solutions that benefit NAMIC companies and the consumers we serve. Our educational programs enable us to become better leaders in our companies and the insurance industry for the benefit of our policyholders.

NAMIC fully supports HB 1705, because it will allow insurance consumers the opportunity to benefit from modern communications technology and display proof of state mandated auto insurance coverage via a mobile device. NAMIC believes that the proposed legislation is an insurance consumer-friendly bill that addresses the modern realities of the electronic

communications age, where consumers maintain a host of important personal records on their mobile devices.

HB 1705 is consistent with e-commerce legislation that is sweeping across the country. In fact, the vast majority of states in the country have adopted legislation that allows insurance consumers to provide proof of insurance to a law enforcement officer via their mobile device, and NAMIC expects that the remaining few states yet to adopt such legislation will do so very soon.

NAMIC commends the legislative sponsors for drafting legislation that protects insurer and consumer choice, by allowing insurers and policyholders the option of continuing to use paper insurance cards as proof of insurance, if they desire not to issue or use electronic proof of insurance. NAMIC also appreciates the language in the bill that addresses the privacy protection needs of motorists and the damage liability protection needs of law enforcement officer, who will have to handle the mobile device.

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you would like to discuss NAMIC's written testimony.

Respectfully,

A handwritten signature in black ink, appearing to read "Christian John Rataj". The signature is fluid and cursive, with the first name "Christian" and last name "Rataj" being the most prominent parts.

Christian John Rataj, Esq.
NAMIC Senior Director – State Affairs, Western Region

TESTIMONY OF MICHAEL ONOFRIETTI

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Representative Angus L.K. McKelvey, Chair

Representative Justin Woodson, Vice Chair

Thursday, February 11, 2016

5:00 p.m.

HB 1705

Chair McKelvey, Vice Chair Woodson, and members of the Committee on Consumer Protection & Commerce, my name is Michael Onofrietti, Chairman of the Board of the Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately thirty-six percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **supports** this bill in its current form. This bill would allow an e-card to show proof of insurance. We believe this is something that will assist policyholders in ease of use and law enforcement as well.

This bill is a consumer friendly proposal that will provide another easier option to produce proof of insurance. Today, technology allows people to use smartphones to do many things that were not possible prior including shopping, banking, holding store cards that provide discounts, and more. Finally, the bill provides for both options at the consumer's choice, either electronic or paper.

Thank you for the opportunity to testify.



- Government Employees Insurance Company
- GEICO General Insurance Company
- GEICO Indemnity Company
- GEICO Casualty Company

TIMOTHY M. DAYTON, CPCU, GENERAL MANAGER

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House Committee on Consumer Protection & Commerce

Conference Room 325 State Capitol

Thursday February 11, 2016, 5:00 pm

HB 1705 Relating to Motor Vehicle Insurance

Chair McKelvey, Vice Chair Woodson and Members of the Committee. My name is Tim Dayton and I am General Manager for GEICO, Hawaii's largest insurer of motor vehicles. **GEICO strongly supports this Bill**. GEICO insures approximately 234,000 Hawaii vehicles. Sending out hard copy ID cards for each new policy and each 6 month renewal is nearly a half million/year. But that is far from what the total is. GEICO is inundated with requests for replacement cards for things such as the customer needs a card ASAP for an expired safety check, dealer loaner car or access to a military base. Sometimes this is to replace a misplaced card and sometimes it is for a newly insured vehicle. Either way, it would be a great customer service to have the capability for each customer to access their own policy @ geico.com. The policyholder could pull up an electronic card to meet their needs rather than drive to our office or wait for the mail delivery. The fraud potential for GEICO ID cards will be close to zero. Hawaii is one of a very small number of states that have ID card requirements that do not allow for electronic cards.

We urge the Committee to move this proposal and very much appreciate the opportunity to submit this testimony.

A handwritten signature in black ink, reading "Timothy M. Dayton", followed by a long horizontal flourish.

Timothy M. Dayton, CPCU



To: The Honorable Angus L.K. McKelvey, Chair
The Honorable Justin H. Woodson, Vice Chair
House Committee on Consumer Protection and Commerce

From: Mark Sektnan, Vice President

Re: HB 1705 Relating to Motor Vehicle Insurance
PCI Position: SUPPORT

Date: Thursday, February 11, 2016
5:00 p.m., Room 325

Aloha Chair McKelvey, Vice Chair Woodson and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) is pleased to support HB 1705 which would allow motorists to produce evidence of liability insurance in an electronic form.

In Hawaii, PCI member companies write approximately 42.7 percent of all property casualty insurance written in Hawaii. PCI member companies write 44 percent of all personal automobile insurance, 65.2 percent of all commercial automobile insurance and 75 percent of the workers' compensation insurance in Hawaii.

Today, people are using their smartphones to do more and more things electronically. They shop, bank and pay bills from their phone. They even use them to board airplanes. Yet in Hawaii, motorists are still required to carry a physical insurance identification card with them. If a law enforcement officer asks for the card and a motorist can't find it, or simply forgets to switch out an expired card with a new one, that motorist will be ticketed and will have to go to court even though that person has insurance.

Odds are, people always have their smartphones with them. Therefore, if HB 1705 is enacted, motorists will never again be without proof of insurance.

Under this bill, all stakeholders benefit. Insured motorists are spared the hassle of having to go to court just to prove they have insurance, courts have less ticket cases to hear, and insurance companies benefit because they don't have to print and mail insurance cards to those motorists who prefer to display proof on their smartphones.

This legislation is permissive, meaning it does not require anyone to use a particular format. If a motorist prefers carrying a paper identification card, they can still get one. Nor does this bill require insurers to offer electronic cards.

Furthermore, under HB 1705 state officials viewing someone's smartphone are prohibited from viewing any other information on the phone. This means a motorist does not give up his or her privacy simply by showing someone they have insurance.

More than 40 states allow motorists to display evidence of insurance electronically. PCI strongly urges you to consider allowing Hawaii motorists the same privilege.

For these reasons, PCI asks the committee to pass HB 1705.

LATE TESTIMONY

HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

LATE

February 11, 2016

House Bill 1705 Relating to Motor Vehicle Insurance

Chair McKelvey, Vice Chair Woodson, and members of the House Committee on Consumer Protection and Commerce, I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm).

State Farm offers the following comments about House Bill 1705 Relating to Motor Vehicle Insurance. State Farm supports this measure, and agrees with the comments submitted by Christian Rataj on behalf of the National Association of Mutual Insurance Companies (NAMIC).

Since 2012, state legislators and regulators have rapidly updated laws to recognize the increasing prevalence of technology by allowing insurers to provide policyholders with electronic proof of insurance cards. In 2011, no states allowed for electronic proof of insurance. By the end of 2012, there were seven states, and as of the first quarter of 2015, 39 states allowed for electronic proof of insurance.

More and more of our customers use their mobile devices to keep track of and maintain important information, and State Farm believes that electronic proof of insurance cards provide a real service to our policyholders, who like the convenience of using them. We believe that this law will also save law enforcement and court personnel time and money because they will no longer need to process tickets written to drivers who had coverage but lost their ID card or neglected to keep it in the car.

Thank you for the opportunity to present this testimony.